Buying Performance Workshop

Industry Views

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Overview

- Buying Performance
- Performance Metrics
- Performance Agreements
- Incentivization
- Key Success Factors
- Issues for Consideration

Buying Performance

- Applicable to Acquisition of Goods, Services and R&D
- Focused on Buying Capability, Results or Outputs, not Resources
- What is Required, Who is Responsible for Delivering It
- Best Value for the Money for the Warfighter or Operational Customer
- Noticeable Economic Impact – Life-Cycle Costs & Annualized Cost of Ownership

Performance Metrics

- Warfighter (End Customer) Driven, Operationally (Mission) Focused & Achievable
- Tailored by Acquisition Type (Goods and Services Different)
- Focused on 3-5 Key “System Level” Metrics
- Field Measurable and Assessments, Objective
- Define Level of Results Required (Financially Reasonable)
- Element of Flexibility Clearly Understood
- Pay for Use vice Failures

F-117 TSPR Performance Metrics

7% Fee Component

	NMCS	MICAP	RSP	DEPOT QUALITY	DEPOT DELIVERY	DELINQUENT DRs	WST AVAILABILITY
Standard	5%	72 Hrs	96%	0-20 Points	0 Days	1 Delinquency	99%
FY99 Mov Avg	2.2	33.7	98.7	20	0	0	99.82
FY00 Mov Avg	2.8	36.3	99.4	20	0	0	99.38
FY01 Mov Avg	2.2	30.0	99.2	20	0	0	99.44
FY02 Mov Avg	2.2	27.6	99.4	20	0	0	99.90

Incentivized TSPR Metric Performance
= 1 to 2 More Aircraft on the Ramp!!

Performance Agreement

- Defines the “Business” of Buying Performance, Contract is the Vehicle
- Based on Clear Objectives & Metrics
- Comprehensive Framework for Improvement & Change
- Shared Commitment to Guaranteed Outcomes (Govt. & Industry)
- One Size Does Not Fit All – Deal by Deal Approach

Incentivization

- Long-term, Long-term, Long-term!
- Commitment & Accountability by All (Customer, Organic & Industry Providers)
- Program Stability & Funding (Industry Not Expected to Subsidize the Govt.)
- Agreed upon Measurements & Results (Both Positive & Negative)
- Bi-Lateral Transparency
- Balances Cost of Capital, Investment and Return

Key Success Factors

- Understanding Economic Flow Models are Driven by Economic Outcomes
- Defining Core Competencies of All & How They Can Remain Vital
- Focus on Results – Migration to Performance-Based Budgeting
- Moving from Cost-Based to Price-Based
- Shared Commitment to Excellence

Issues for Consideration

- Globalization of the Market Place
- Program Stability & Funding
- Strategic Partnerships vs. Source of Repair Process Decisions
- Private Financing Initiative (PFI)
- Long-Term Contracts (10+ years)
- Configuration Management Transfer
- Access to Data vs. Ownership
- Competition – Who Gets Credit
- Termination Liability (Fund or Waiver)